

Message Text

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PAGE 01 STATE 066448
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TO AMEMBASSY LONDON PRIORITY

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FOR AMBASSADOR

E.O. 11652: N/A

TAGS: BEXP, UK

SUBJECT: LONDON TRADE CENTER

REF: LONDON 3277

1. DEPARTMENT OF COMMERCE HAS NUMBER OF OBSERVATIONS ON
REFTEL, AS FOLLOWS. QUOTE COMMERCE WOULD APPRECIATE
RECEIVING BASIS FOR STATEMENT THAT THE CENTER IS BEING USED
PRIMARILY AS A FACILITY FOR U.K. FIRMS TO MARKET U.S.
PRODUCTS AND FOR U.S. FIRMS HIGHLY EXPERIENCED IN INTER-
NATIONAL MARKETING TO PROMOTE NEW PRODUCT LINES. USDOC
DATA REVEALS THAT OF THE 220 PARTICIPANTS UTILIZING THE
CENTER FOR MAJOR EXHIBITIONS IN CY 1977, 145 OR 66 PERCENT
WERE NEW TO THE U.K. MARKET AND 63 FIRMS WERE SEEKING
REPRESENTATION. A NEW TO MARKET (NTM) FIRM BY COMMERCE
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PAGE 02 STATE 066448

DEFINITION IS ONE WHICH HAS NOT SUCCESSFULLY MARKETING THE
PRODUCT LINE TO BE EXHIBITED WITHIN THE TWELVE-MONTH PERIOD
IMMEDIATELY PRECEDING THE SIGNING OF THE PARTICIPATION
AGREEMENT AND WITHOUT ACTIVE REPRESENTATION IN THAT COUNTRY.
OF THE TOTAL NTM FIRMS, ONLY 19 WERE ESTABLISHED BUT INTRO-
DUCING NEW PRODUCT LINES (NOT NEW MODELS). DURING MAJOR
EXHIBITIONS IN 1977, 69 REPRESENTATION AGREEMENTS WERE

SIGNED AND AN ADDITION 312 ENTERED INTO NEGOTIATION.

2. DURING FY 77, 251 OR 81 PERCENT OF THE TOTAL NUMBER OF U.S. FIRMS EXHIBITING AT MAJOR EXHIBITIONS WERE SMALL TO MEDIUM SIZE COMPANIES. IT MIGHT BE NOTED THAT ACCORDING TO AN ARTICLE IN THE SUNDAY TIMES NEWSPAPER, FEB. 12, 1978 COST FOR INDIVIDUAL PARTICIPATION IN BRITISH AND EUROPEAN TRADE FAIRS WILL NEARLY TRIPLE IN THE COMING YEAR, THUS PUTTING ANOTHER OBSTACLE IN THE PATH OF SMALL AND MEDIUM SIZE U.S. COMPANIES. THESE STATISTICS SUPPORT THE FACT THAT U.S. BUSINESSMEN REPORT TO COMMERCE THAT THE LONDON TRADE CENTER ALLOWS THEM TO TAKE THE FIRST STEPS TO INCREASE THEIR GROWTH AND INTERNATIONAL SALES IN A POSITIVE WAY THEY COULD NOT HAVE ACCOMPLISHED ON THEIR OWN. IN RESPONSE TO PARA 4 REFTEL, PRIVATE FAIR ORGANIZERS ARE INTERESTED ONLY IN THE FINANCIAL SUCCESS OF THEIR EXHIBITION, NOT IN THE EXPANSION OF U.S. EXPORTS, WHICH IS THE MAIN CONCERN OF THE U.S. TRADE CENTER PROGRAM. PRIVATE FAIR ORGANIZERS HAVE NO INTEREST IN THE NATIONALITY OF THE PRODUCTS BEING PROMOTED AS LONG AS THEIR SHOW IS FULLY SUBSCRIBED. THE U.S. TRADE CENTER PROGRAM, ON THE OTHER HAND, CONCENTRATES ON BRINGING AMERICAN FIRMS INTO THE FOREIGN MARKETPLACE.

3. COMMERCE HAS FOUND THAT U.S. FIRMS ARE RELUCTANT TO TRY THE BRITISH MARKET THROUGH PARTICIPATION ON THEIR OWN, UNCLASSIFIED

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PAGE 03 STATE 066448

IN PRIVATELY SPONSORED ACTIVITIES. LANGUAGE IS OF MINIMAL INFLUENCE IN A BUSINESSMAN'S DECISION TO ENTER A FOREIGN MARKET, EXCEPT THAT COMMON LANGUAGE MAKES ENGLAND A GOOD STARTING PLACE FOR NEW INEXPERIENCED EXPORTERS. A FIRM WANTS TO KNOW IF ITS PRODUCT CAN COMPETE WITH LOCAL PRODUCTION AND HOW TO REACH THE FOREIGN BUYER. THE TRADE CENTER'S PROGRAM IS TAILORED TO FULFILLING THESE NEEDS.

4. IN REGARD TO PARA 6 REFTEL, EXTENSIVE SURVEY OF ALL U.S. FIRMS UTILIZING THE CENTER FOR MAJOR EXHIBITIONS DURING CY 1977 INDICATES 354 OR 93 PERCENT FULLY ACHIEVED THEIR PRIMARY MARKETING OBJECTIVES. THE BALANCE OF 27 FIRMS, PARTIALLY ACHIEVED THEIR OBJECTIVES. WE THINK THIS IS A MOST IMPRESSIVE ACCOMPLISHMENT. IT IS TO BE EXPECTED THAT ANY MARKETING EXECUTIVE SHOULD BE OPTIMISTIC. BEING AWARE OF THIS WE FOLLOW-UP TWELVE-MONTHS AFTER EACH MAJOR EXHIBITION TO OBTAIN THE CONFIRMED SALES TOTAL. THIS DATA IS PROVIDED TO USDOC'S APPROPRIATION'S COMMITTEES IN THE CONGRESS. IN ADDITION TO THESE FIRST YEAR SALES, ONGOING SALES RESULT FROM THE VARIOUS TYPES OF REPRESENTATION AGREEMENTS CONSUMATED BY THE EXHIBITORS. YOUR COMMENTS ON THE EMBASSY SURVEY OF U.K. REPRESENTATIVES DO NOT INDI-

CATE IF THE QUESTION QUOTE WOULD YOUR MARKETING SUCCESS OF
U.S. PRODUCTS BE ADVERSELY AFFECTED IF THE CENTER WERE TO
BE CLOSED END QUOTE. WE ARE CONFIDENT THAT HAD THIS

QUESTION BEEN ASKED YOU WOULD HAVE RECEIVED A RESPONSE
OVERWHELMINGLY IN SUPPORT OF THE CENTER.

5. IN SUMMARY, THE U.S. TRADE CENTER IN LONDON FILLS A
CRITICAL TRADE PROMOTION NEED. THERE ARE NO COMPARABLE
FACILITIES AVAILABLE IN THE PRIVATE SECTOR. THE EXPORT
EXPANSION CONTRIBUTION OF THE TRADE CENTER IS SIGNIFICANT
AND READILY MEASURABLE IN OBJECTIVE TERMS. THE TRADE CENTER
PROGRAM IS OF SPECIFIC BENEFIT TO SMALL AND MEDIUM SIZED
FIRMS. AMERICAN BUSINESS HAS BEEN TELLING THE U.S.
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PAGE 04 STATE 066448

DEPARTMENT OF COMMERCE AND THE U.S. CONGRESS FOR YEARS THAT
AMERICAN BUSINESS NEEDS THE TRADE CENTER PROGRAM. THE
AMERICAN CHAMBER OF COMMERCE IN LONDON IS A STRONG SUPPORT-
ER OF THE TRADE CENTER.

6. COMMERCE UNDERSTANDS THAT THE OFFICE OF MANAGEMENT AND
BUDGET IS TO MAKE A THOROUGH STUDY OF ALL TRADE CENTERS
DURING ITS FY 1980 BUDGET REVIEW. THE EMBASSY'S ALTERNA-
TIVES, COSTS OF PRESENT AND FUTURE ARRANGEMENTS, AND ANY
OTHER PERTINENT FACTORS WEIGHING ON THE FUTURE OF THE
LONDON TRADE CENTER SHOULD BE GIVEN A THOROUGH AIRING AS
A RESULT OF THAT STUDY. END QUOTE VANCE

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